

Before the  
POSTAL REGULATORY COMMISSION  
Washington, DC 20268-0001

Notice of Market-Dominant :  
Price Adjustment : Docket No. R2013-1

COMMENTS OF THE GREETING CARD ASSOCIATION

The Greeting Card Association (GCA) files these Comments pursuant to Order No. 1501. Briefly:

(1) GCA does not disagree with the Postal Service's position that the price adjustments proposed for First-Class Mail do not exceed 2.570 percent; and

(2) GCA wishes to call attention, in a preliminary fashion, to certain questions raised by the Service's statements at page 37 of its Notice of Market-Dominant Price Adjustment that it is considering "separate pricing" for metered Single-Piece letters and that such pricing "would improve the workshare ratio for Presort letters." If implemented, such a pricing change could raise a number of significant and possibly complex issues, not least of which would be whether that approach attacks any passthrough issues from the wrong direction.

We assume that any separate price for metered Single-Piece letters would be lower than the rate for non-metered pieces; otherwise, such a change in structure would do nothing to "improve" the passthrough for Mixed AADC Automation Letters, currently 93.2 percent.<sup>1</sup> One important issue would be whether restructuring Single-Piece rates should be undertaken simply to improve the workshare

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<sup>1</sup> Postal Service Notice, Attachment B, p. 2.

ratio for Presort. Metered (including IBI) letters constituted 38.5 percent of all Single-Piece Letters, according to FY 2011 RPW data.<sup>2</sup>

The substantial amount of revenue lost by creating a lower metered letter rate would presumably have to be made up elsewhere within First Class. Since different user groups (e.g., households and businesses) tend to use different indicia types, such restructuring could – depending on the mechanisms chosen to separate the two rates – result in disparate treatment, with the stamp-using public being disfavored.

In a longer view, adjusting non-workshared rates to achieve better passthrough ratios for workshared mail (particularly MAADC) may be a short-sighted approach, given the disparity in statistical properties as among the different levels of First-Class Presort. In Docket RM2010-13, GCA proposed that Presort rates be constructed "from the bottom up," with the high volume dominant<sup>3</sup> 5-Digit category as a baseline. The Commission found this proposal "not unreasonable." Noting that direct measurement of 5-Digit costs could be done via IMb data, the Commission indicated that when such direct measurement became possible as IMb volumes ramp up, the argument for basing Presort rates on the 5-Digit category rather than MAADC would be strengthened, and planning for the change would be beneficial.<sup>4</sup>

In view of these possibilities, it may be desirable to avoid distorting the current structure of Single-Piece rates to bring passthroughs closer to 100 percent, when revision of the way Presort costs are measured and applied could produce superior results.

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<sup>2</sup> See the Postal Service filing in Docket ACR2011 (First Class Mail Revenue, Pieces, and Weight by Weight Increment, Shape and Indicia). 522.1 million metered + 8,933.0 million IBI = 9,455.1 million; 9,455.1 million / 24,550.8 million total Single-Piece Letters = 0.3851.

<sup>3</sup> 19.2 billion pieces in FY 2011, as compared with 2.3 billion pieces in the MAADC category. Ibid.

<sup>4</sup> Docket RM2010-13, Order No. 1320, pp. 50 et seq.

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Respectfully submitted,

GREETING CARD ASSOCIATION

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